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*Attorneys for Defendants Tom Hirsch, Diane Rose Hirsch,
Berta Walder, Howard Walder, Harish P. Shah, Madhavi H. Shah and Horizon Partners, LLC*

Arizona Corporation Commission

DOCKETED

APR 30 2010

DOCKETED BY

BEFORE THE ARIZONA CORPORATION COMMISSION

In the matter of:

DOCKET NO. S-20660A-09-0107

RADICAL BUNNY, L.L.C., an Arizona
limited liability company,

HORIZON PARTNERS, L.L.C., an
Arizona limited liability company,

TOM HIRSCH (aka **TOMAS N.
HIRSCH**) and **DIANE ROSE HIRSCH**,
husband and wife;

BERTA FRIEDMAN. WALDER (aka
BUNNY WALDER, a married person,

HOWARD EVAN WALDER, a
married person,

HARISH PANNALAL SHAH and
MADHAVI H. SHAH, husband and
wife,

Respondents.

**DECLARATION OF TOM
HIRSCH**

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AZ CORP COMMISSION
DOCKET CONTROL

Radical Bunny, LLC was organized in June of 1999, but its antecedents went back further than that. In 1995, some of the people who ultimately became

1 members of Radical Bunny began to invest in mortgages serviced by Mortgages
2 Ltd. At that point, the participants invested directly in the mortgages and received
3 a percentage interest in certain mortgages that Mortgages Ltd. serviced. Thus, in
4 the beginning, Mortgages Ltd. found borrowers that created mortgages and sold
5 the participants "pass through" fractional loans and lien interest in real estate
6 collateral. The loans were for the financing of construction. Both Horizon
7 Partners and Radical Bunny were formed for the purpose of pooling funds to
8 invest in that pass through program. Horizon Partners and Radical Bunny did not
9 advertise. They did not solicit. People satisfied with their investment returns
10 described the program to their acquaintances and if those acquaintances choose to
11 inquire, in some instances they became additional participants. There were no
12 sales materials.

13
14 The participants were provided information that came from Mortgages Ltd.
15 and later on approximately on a semi-annual basis, there was a meeting held in
16 which matters were discussed related to the program.

17 In approximately 2000, Horizon Partners received a "spread" of one quarter
18 of one percent. Horizon Partners made all distributions of interest and the
19 principal to participants, maintained accounts for participants, provided regular
20 account statements for each of the participants and reviewed the loan summary
21 sheets for each of the loans presented by Mortgages Ltd. Horizon Partners also
22 provided tax forms at the conclusion of each tax year.

23 Radical Bunny was formed in June of 1999. Mortgages Ltd. wanted
24 \$100,000 minimum investments and Horizon had no roll over program when the
25 loan matured and the participants were paid. From June 24, 1999 forward,
26 Radical Bunny and Horizon both were paid an extra one quarter or one half
27 percent of all payments to cover the overhead of pooling funds and the preparation
28 of necessary tax and other documents. After September 2005, Horizon did no

1 more business. In 2005, Mortgages Ltd. wanted to institute a new opportunity
2 program, by which million dollar notes would be issued by Mortgages Ltd. who
3 would be obligated to pay the money and would lend the money to its borrowers.
4 In approximately 2005, Radical Bunny began to receive a 2% spread for its
5 management services. The participants requested Radical Bunny to act as their
6 agent to purchase interests in specific Mortgages Ltd. loans. The 2% spread was
7 fully disclosed to all participants and was the subject of an extensive presentation
8 at the semi-annual meeting held in 2006. Thereafter, it was discussed at every
9 semi-annual meeting. The invitation to semi-annual meetings specifically stated
10 that the purpose was not to solicit any new investors. Later, the loans were made
11 with Mortgages Ltd. itself as the borrower. In all instances, the loans were made
12 and the notes were given to finance construction.
13

14 The participants became involved by executing a direction to purchase. A
15 typical direction to purchase is attached as Exhibit A. As Exhibit A shows, it was
16 not to be used to solicit people to become participants in the program. The
17 direction to purchase authorized a purchaser's agent (Radical Bunny) to acquire
18 an interest in a specific Mortgages Ltd. loan. The direction to purchase set forth
19 the amount invested, the percentage interest in the Mortgages Ltd. loan that the
20 participant would have, the annual (net interest rate) to be paid to the participant,
21 the maturity date of the loan and interest payment due date.

22 To my knowledge, none of the Defendants in this matter took a profit out of
23 Radical Bunny. Any repayment to any of the Defendants was virtually
24 immediately reinvested in another Mortgages Ltd. loan program.

25 I sold a residence, an accounting practice, took a home equity advance on
26 two of my homes and sold other property to put money into investments with
27 Mortgages Ltd. as a participant of Radical Bunny. To my best information and
28 belief, Harish Shah took money out of his home equity line of credit, and his

1 employee pension all of which went to Mortgages Ltd. as a participant of Radical
2 Bunny. To my best information and belief, Howard and Berta Walder rolled over
3 individual retirement accounts, sold a house and took an advance on their home
4 equity all to become participants. Specifically, I took \$380,000 from the sale of a
5 residence, \$500,000 from the sale of an accounting practice, over \$1,500,000 from
6 home equity advances on two properties and additional money that I made over
7 that time, together with the sale of Safford property. The total amount of monies
8 put into Mortgages Ltd. programs as a Radical Bunny participant and not returned
9 to me was \$3,196,000. The four of us put over \$7,000,000 into Mortgages Ltd.
10 programs. We took no money from Horizon Investments or Radical Bunny in
11 excess of what we put in.
12

13 As agents and members of Radical Bunny, Defendants reviewed the
14 Mortgages Ltd. loans that were to be funded, Defendants received internal
15 financial statements prepared by Mortgages Ltd., had meetings with company
16 management, received audited third party financial statements, reviewed lending
17 criteria, inspected loan documents, met with Mortgages Ltd. borrowers, spoke to
18 Mortgages Ltd. officers and reviewed documents with those officers. We made
19 site visits.

20 In the fourth quarter in 2006, a concern was raised as to whether Radical
21 Bunny was required to take some action under the Securities law. Radical Bunny
22 interviewed a variety of lawyers. Radical Bunny eventually hired Quarles &
23 Brady. The entire representation proceeded along the basis of what action was
24 necessary "fix" any problems Radical Bunny may have had. No lawyer ever told
25 any of the Defendants to stop taking participants money.

26 The participants only received interest and principal. They did not
27 participate in the profit of either Mortgages Ltd. or Radical Bunny and were not
28 responsible for any expenses or cash calls from those entities. The participants

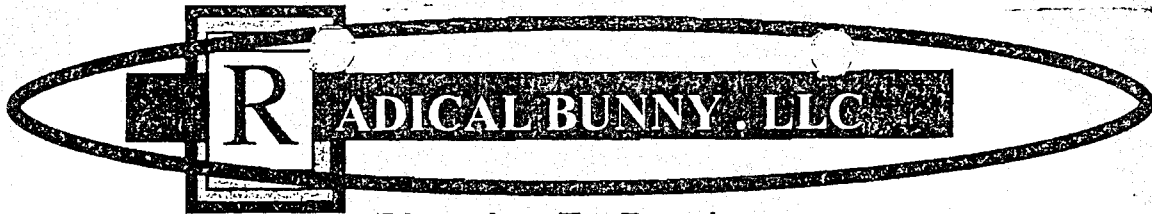
1 never invested in Radical Bunny. The obligation to participants was from
2 Mortgages Ltd. directly to the participants in the matters stated. No commission
3 or referrals were paid, no general solicitations were ever made. There was no
4 marketing of these participations, no sales materials were ever prepared and no
5 sales calls were ever made. We did not have a website or a "presentation" for the
6 purpose of raising money. We only returned calls. No inducement other than the
7 interest to be paid by Mortgages Ltd. was discussed.

8 The participations were not described or thought of as securities. They
9 were in all cases percentage interests in loans made to finance construction.
10

11 Dated this 30th day of April, 2010.
12

13
14 I avow the foregoing factual statements are true to the best of my
15 information and belief under penalty of perjury.

16
17 
18 TOM HIRSCH



Direction To Purchase

02/28/2007

HIRSCH FAMILY TRUST
C/O TOM HIRSCH, TRUSTEE
8636 N. VIA LA SERENA
PARADISE VALLEY, AZ 85253

Re: Investment in [REDACTED] MORTGAGES LTD.

In connection with your purchase of interests in the above referenced loan, we are submitting this information for your review. Please sign and return your copy upon receipt.

The undersigned hereby instructs and authorizes the member manager, as the purchaser's agent, to transact the purchase of the following loan:

Loan number [REDACTED] MORTGAGES LTD., was funded on 02/26/2007 with the principal amount of \$2,700,000.00. The Loan pays a net rate of 11.000% per annum to the undersigned. Interest will be paid in arrears commencing on 03/10/2007 and continuing on the 10th day of each month thereafter until maturity date of 02/26/2008. All interest and/or principal payments made by the borrower will be mailed to the undersigned within the first week of the month following receipt of payment.

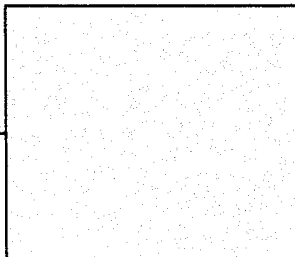
The undersigned hereby deposits \$19,235.30 representing approximately 0.710% interest in the above referenced loan. Your investment is collateralized by the beneficial interest under various deeds of trusts held by Mortgages Ltd.

Partial or complete liquidation of your investment requires a thirty (30) day written notice. An early redemption charge of 2% of your stated note rate will apply retroactively to partial or complete liquidation of this investment before the stated maturity date.

MEMBER MANAGER: _____
DATE: 02/28/2007

Acknowledged and agreed upon this _____ day of _____, 2007.

PURCHASER: L1016 HIRSCH FAMILY TRUST
C/O TOM HIRSCH, TRUSTEE

**R****ADICAL BUNNY, LLC****Direction To Purchase**

Re: Investment in [REDACTED] MORTGAGES LTD

In connection with your purchase of interests in the above referenced loan, we are submitting this information for your review. Please sign and return your copy upon receipt.

The undersigned hereby instructs and authorizes the member manager, as the purchaser's agent, to transact the purchase of the following loan

Loan number [REDACTED] MORTGAGES LTD. was funded on 05/15/2008 with the principal amount of \$3,380,000.00. The Loan pays a net rate of 11.000% per annum to the undersigned. Interest will be paid in arrears commencing on 05/25/2008 and continuing on the 25th day of each month thereafter until maturity date of 05/15/2009. All interest and/or principal payments made by the borrower will be mailed to the undersigned within the first week of the month following receipt of payment.

The undersigned hereby deposits \$406,000.00 representing approximately 12.010% interest in the above referenced loan. Your investment is collateralized by the beneficial interest under various deeds of trusts held by Mortgages Ltd.

All requests for redemption require a thirty (30) day written notice. The Fund Managers will exercise their best efforts to fulfill all requests promptly, however requests will be processed on a "first-come, first-serve" basis. A 5% redemption fee will be assessed for liquidation of investments prior to maturity.

= \$ 730,00

MEMBER-MANAGER:

05/15/2008

DATE

Acknowledged and agreed upon this 15 day of May

